



California Initiative Update

February 2008



Mission Statement

The California Initiative will invest in traditionally underserved markets primarily, but not exclusively, located in California. The objective is to discover and invest in opportunities that may have been bypassed or not reviewed by other sources of investment capital.



Objectives

- To earn attractive risk-adjusted returns
- As an ancillary benefit, to have a meaningful impact on the economic infrastructure of California Underserved Markets

Underserved Market Opportunity

Underserved markets are less efficient and have the potential to provide superior investment performance

Investment
Opportunity

- Companies located in areas where access to institutional equity capital is limited
- Companies that employ workers who reside in economically disadvantaged areas
- Companies with female and/or minority management



California Initiative

Phase I Performance

The Program has generated returns commensurate with the asset class to date. Nearly all of the capital has been drawn and invested in companies.

Results As Of	September 30, 2007
Dollars Invested	\$375.1 million (78%)
Total # of Co. Funded	217
Distributions	\$226.1 million
Realized + Unrealized Value	\$571.8 million
Net Gain (Loss)	\$205.0 million
Multiple on Invested Capital	1.5x
Net IRR	18.2%
Venture Economics All PE returns (Vintage 2001)	15.3%

The since inception performance is tracking in the top quartile of Venture Economics.

California Initiative Phase II

Golden State Investment Fund
\$500 million commitment managed by Hamilton Lane (closed
in December 2006)

Offices in San Francisco and San Diego, CA
Refined investment strategy compared to Phase I

Enhanced
investment strategy

- Continue to source private equity funds with proven track records that target California investment opportunities
- Provide equity capital, as co-investors, directly to companies operating in or serving California's underserved markets
- Fund Approach: Commit to private equity partnerships with proven investment managers who target California investment opportunities
- Direct Investment Approach: Source the best California co-investment opportunities in underserved markets by applying both CalPERS and Hamilton Lane's network of private equity



Assessment of Ancillary Benefits

Profile—California Initiative Companies

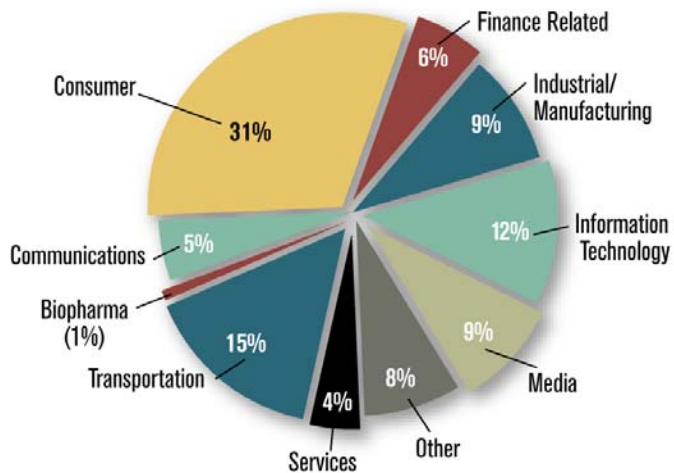
- As of June 30, 2007, 202 companies had received capital through the California Initiative
 - 197 in Phase I
 - 115 through nine private equity funds
 - 98 have provided ancillary benefits data
 - 82 through Bank of America fund-of-funds
 - BofA provided separate report
 - 5 in GSIF
 - 3 direct co-investments
 - 2 through fund commitments
 - 4 provided ancillary benefits data
 - This presentation focuses on the 102 companies that provided ancillary benefits data

Profile—California Initiative Companies

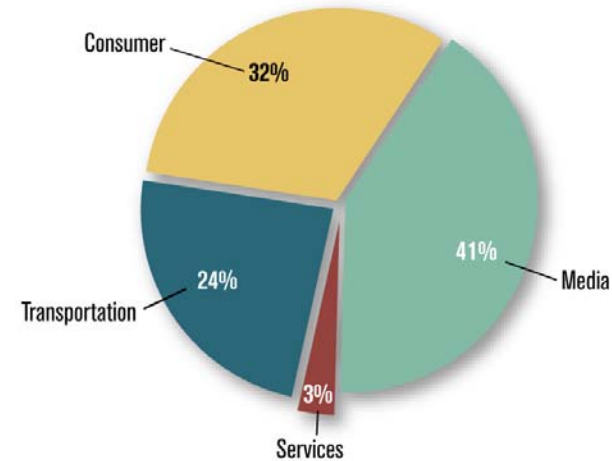
Portfolio Diversity—Industry

- CA Initiative companies represent the full spectrum of businesses in the CA economy

Phase I Portfolio Diversification by Industry
(Total Cost as of June 30, 2007)
(n=120)



GSIF Portfolio Diversification by Industry
(Total Cost as of June 30, 2007)
(n=5)

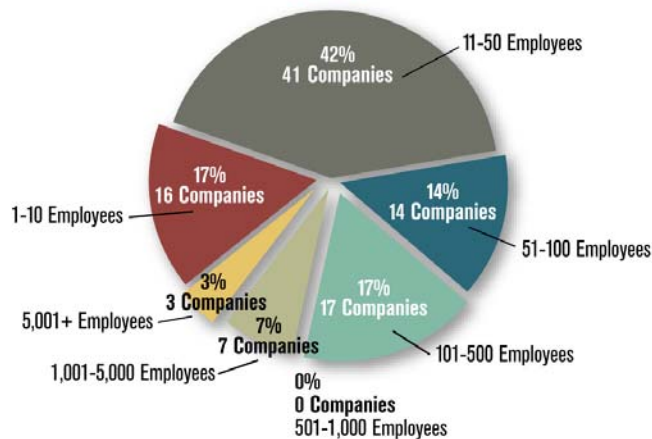


Profile—California Initiative Companies

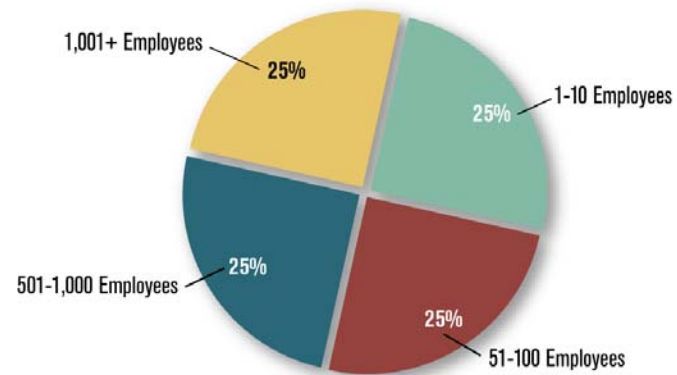
Portfolio Diversity—Company Size

- Companies range from 3 to over 22,000 employees
- 87% have 500 or fewer employees
- 13% have over 1000 employees

Phase I Portfolio Diversification by Company Size Measured by Number of Employees
(n=98)



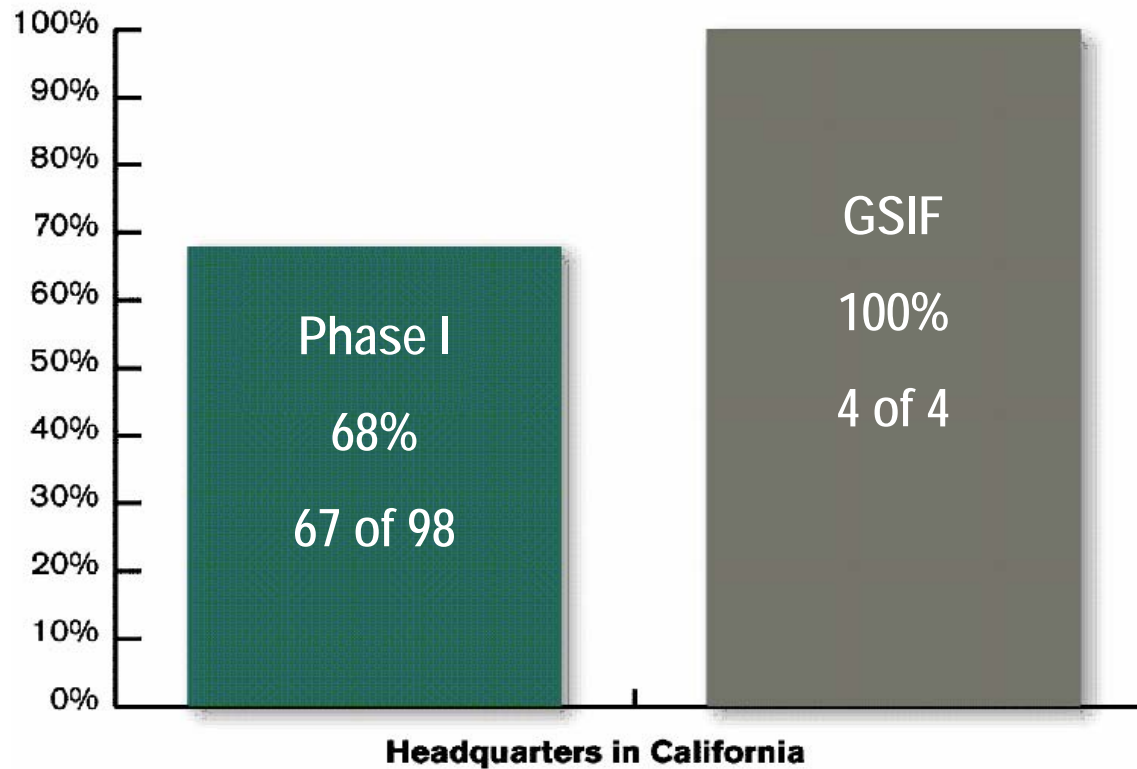
GSIF Portfolio Diversification by Company Size Measured by Number of Employees
(n=4)



Profile—California Initiative Companies

California headquarters

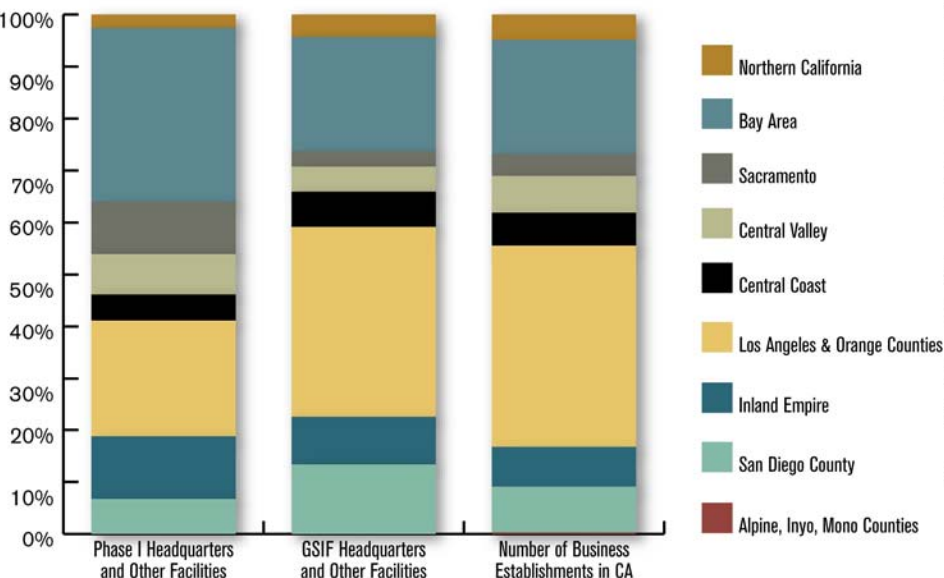
Portfolio Company Headquarters in California



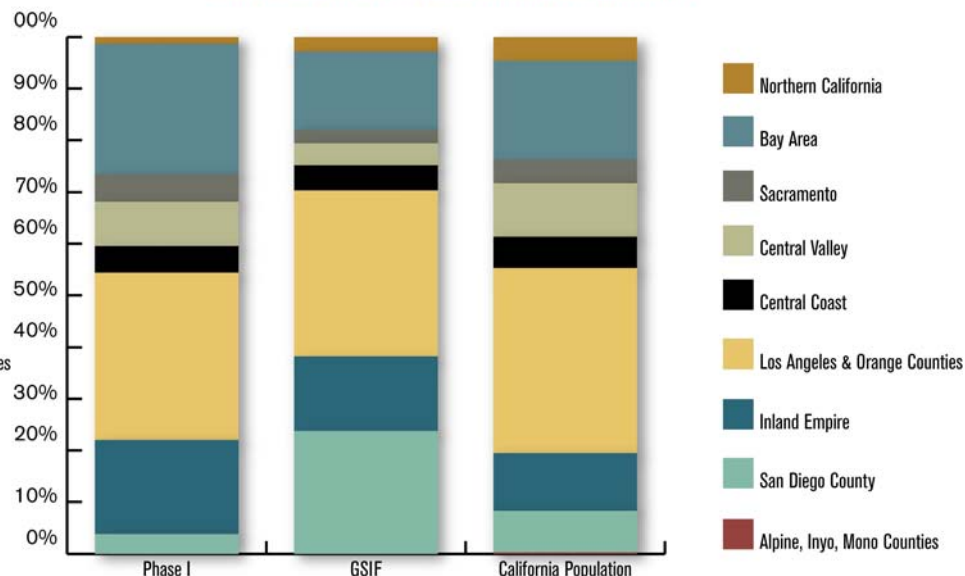
Profile—California Initiative Companies

- Distribution of employees and facilities roughly mirrors California population.
 - Phase I slightly weighted to the Bay Area.
 - GSIF slightly weighted to San Diego.

California Initiative Portfolio Company Locations Compared to the Distribution of Business Establishments in California



California Initiative Portfolio Company Employees' Residence Locations Compared to State Population Distribution



Profile—California Initiative Companies

Employment Growth in the Portfolio—Phase I only

- California employment growth of 31% in Phase I portfolio companies far exceeds employment growth statewide since the CA Initiative was established
- Total employment nationally at Phase I companies increased by 2% since the CA Initiative was established
 - Growth was less than national trends due to two companies that lost over 3,000 non-California jobs
 - Excluding these two companies, job growth nationally would be 18% over the same period

California Initiative Phase I Employment

Number of Companies	98	
	United States Employment	California Employment
Employment at investment	53,502	5,374
Employment per most recent data available	54,634	7,038
Change	1,132	1,664
Percent change	2%	31%
Employment growth June 2000 to June 2007, US and California	8%	8%

Underserved Market Indicators

- Providing capital to areas of California and the United States that have historically had limited access to institutional equity capital
- Investing in businesses that employ workers living in economically disadvantaged areas
- Supporting women and minority entrepreneurs and managers

Defining Underserved Geographic Areas

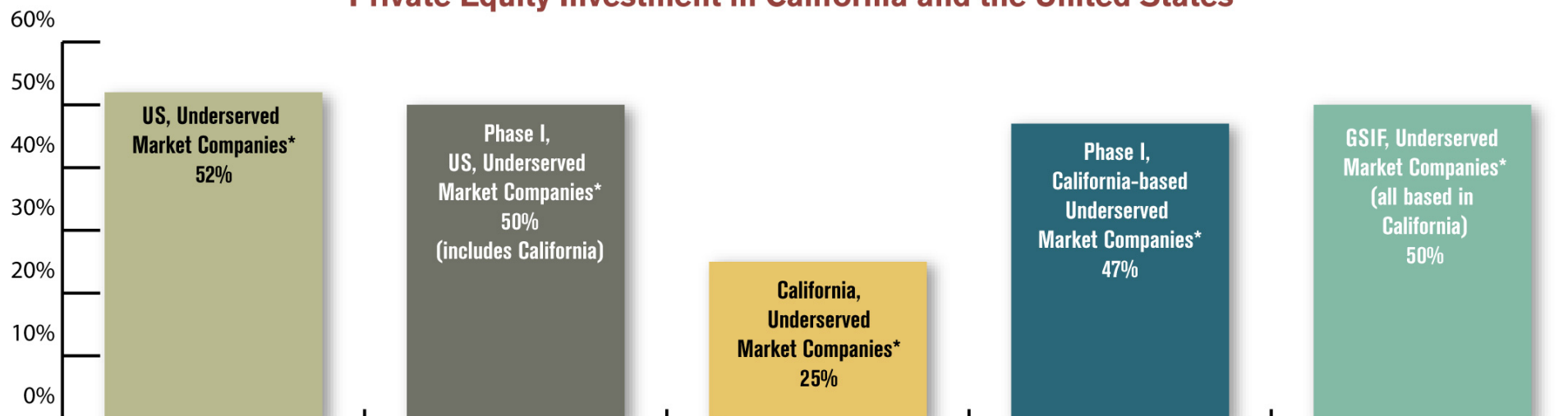
- Global Top 1000 zip codes received nearly 75% of all private equity dollars
- 153 California zip codes received over 90% of equity investment capital committed in California
 - These zip codes are a subset of the top 1000 global zip codes receiving investment capital
- For purposes of the analysis, Underserved Geographic Areas are defined as those zip codes OUTSIDE of the Top 1000 global zip codes

Defining Underserved Geographic Areas

Half of all California-based Phase I and GSIF companies are located in areas with limited access to capital

- The proportion of California Initiative companies located in underserved geographic areas in California is twice the proportion of companies receiving institutional investment historically in these same areas.
- Non-California investments through CA Initiative mirror normal company investments in non-CA underserved markets

California Initiative Underserved Market Companies Compared to Private Equity Investment in California and the United States

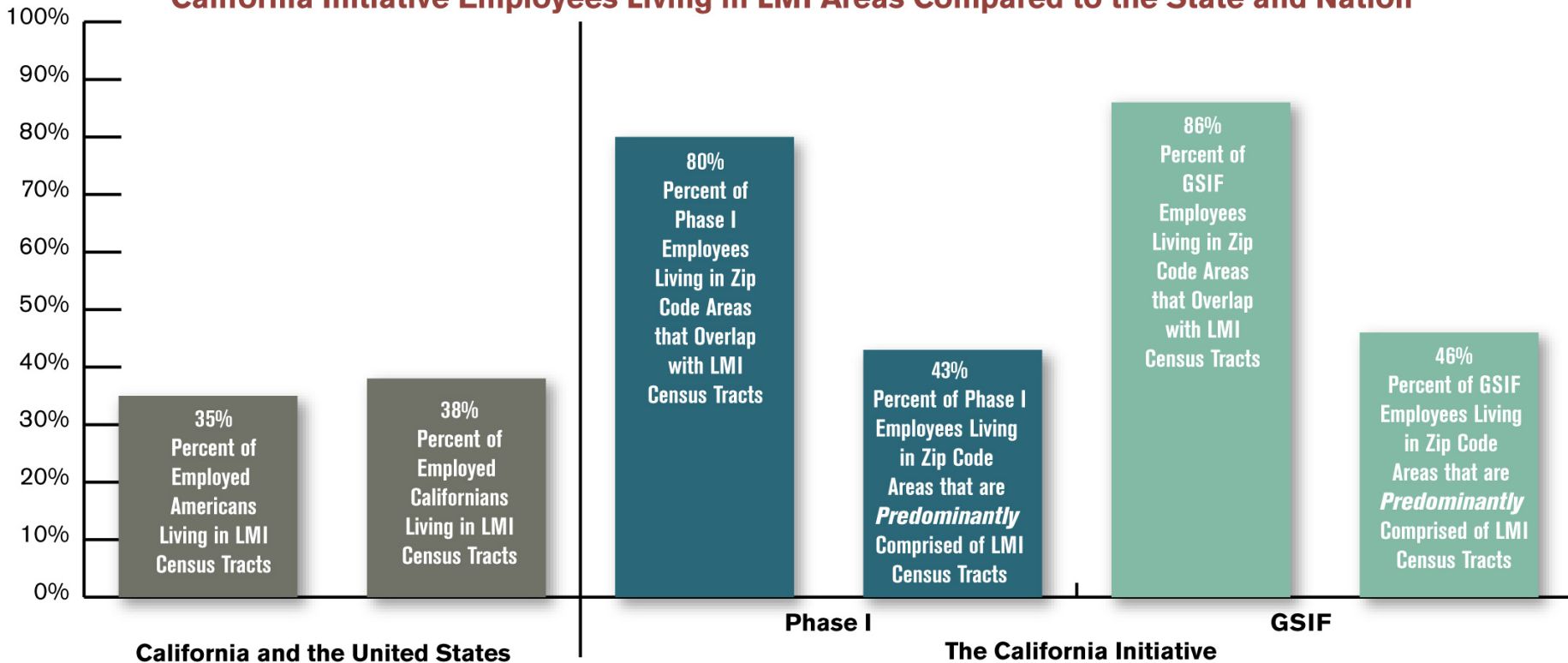


*Underserved market companies refers to companies located (at time of investment) in areas of the state and nation that have historically had limited access to institutional equity capital.

Employing Workers From Economically Disadvantaged Areas

- A greater proportion of Phase I and GSIF portfolio company employees live in LMI areas than national and California averages.

California Initiative Employees Living in LMI Areas Compared to the State and Nation



- Zip code areas that overlap with LMI census tracts means that at least part of the geographic area comprising the zip code is in a census tract that is designated low-to-moderate income.
- Zip code areas that are predominantly LMI means that more than 50% of the geographic area comprising the zip code is within census tracts that are designated low-to-moderate income.

- To put CA Initiative companies' ownership and management diversity in perspective:
- Compare to the proportion of businesses with paid employees and over \$1 million in annual revenue that are owned by women and minorities.
Of data available, these companies most closely fit the characteristics of companies receiving institutional equity capital.

Key Highlights

➤ California Initiative companies exceed national averages, and exceed or meet most state averages in businesses owned and/or managed by:

- Women
- African Americans
- Hispanics
- Asian/Pacific Islanders

Details in “Impacting California’s Underserved Communities 2007”
Report

Banc of America Capital Access Funds

➤ Invested in 13 private equity partnerships

- Ten focus on low-to-moderate income areas or individuals
- One is improving access to capital, capitalizing financial institutions that serve low income/minority communities
- Seven focus on ethnic minority opportunities (companies either managed by minorities or serving minority consumers)
- Four have at least one female partner
- Eight have at least one ethnic minority partner; 7 have at least two minority partners
- Nine have offices in California



Banc of America Capital Access Funds

- Ten funds have invested in 82 companies
 - 7 are located in inner cities; 2 are located in rural areas
 - 23 are located in low-to-moderate income areas
 - 22 are owned or managed by minorities; 37 have at least some minority ownership
 - 26 have some women ownership
 - 28 are located in census tracts where more than half the population is ethnic minority
 - Data is available on ethnicity at 60 companies:
 - Nine CEOs are African American
 - Six CEOs are Hispanic
 - Five CEOs are Asian
 - Three CEOs are Women
 - Over 20,000 total employees; 34% minority, 56% women

Ancillary Benefits Assessment

- Continual improvement of ancillary benefits measurements with GSIF
- Annual update to the Investment Committee
- Welcome Board questions and guidance

Conclusion

- First Phase of the CA Initiative Program continues to mature
 - 217 companies funded
 - 78% of capital drawn
 - Investment performance is tracking in the top quartile of the 2001 vintage
 - 18.2% IRR
 - \$216 million distributed

Conclusion

- Second Phase of the California Initiative Program actively investing
 - Golden State Investment Fund
 - 7 funds have received commitments; 9 companies funded
 - 4 co-investments completed
 - 43% of available capital has been committed
- First 4 companies located in California
- Staff, PCV and Hamilton Lane have improved information gathering and comparable indicators of ancillary benefits
- Staff will continue to report on all phases of the program annually